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060728Z Dec 05

ACTION AF-00

INFO	LOG-00	AID-00	CEA-01	CIAE-00	CTME-00	INL-00	DODE-00
	DOYE-00	PERC-00	DS-00	EB-00	EUR-00	EXIM-01	E-00
	FAAE-00	VCI-00	FRB-00	H-00	TEDE-00	INR-00	IO-00
	ITC-01	M-00	VCIE-00	NEA-00	DCP-00	NRC-00	NSAE-00
	ISN-00	NSCE-00	OES-00	OIC-00	OMB-00	NIMA-00	MCC-00
	GIWI-00	ISNE-00	FMPG-00	SP-00	SSO-00	SS-00	STR-00
	BBG-00	EPAE-00	IIP-00	SCRS-00	DSCC-00	PRM-00	DRL-00
	G-00	NFAT-00	SAS-00	SWCI-00	/003W		

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FM AMEMBASSY NDJAMENA

TO SECSTATE WASHDC PRIORITY 2660

INFO AMEMBASSY ABUJA

AMEMBASSY DAKAR

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY NIAMEY

AMEMBASSY PARIS

AMEMBASSY YAOUNDE

DOE WASHDC

DEPT OF TREASURY WASH DC

US DOC WASHDC

C O N F I D E N T I A L NDJAMENA 001707

SIPDIS

LONDON AND PARIS FOR AFRICA WATCHERS, TREASURY FOR OTA,
ENERGY FOR GPERSON AND CGAY

E.O. 12958: DECL: 12/05/2010

TAGS: CD ECON EFIN ENRG EPET PGOV

SUBJECT: CHAD READY TO ACCEPT WORLD BANK TEAM, PUSHING
AHEAD WITH REVISIONS TO OIL LAWS

REF: NDJAMENA 1690 AND PREVIOUS

Classified By: Ambassador Marc M. Wall for reasons 1.4 (b) and (d)

¶11. (C) SUMMARY: The GOC is willing to welcome a World Bank/IMF team to explore the Bank's proposed compromise, but is skeptical about the World Bank's ability to assist the government's budget process. Following internal disagreements among ruling-party deputies in the National Assembly, two committees have been established to reconcile concerns by the deputies and push the law forward in the National Assembly on December 20. The status of our Treasury Advisor is still unresolved, with resistance to the Advisor's position apparently coming from President Deby himself. President Deby's interview on November 28 and our discussions with other senior Chadian officials in N'Djamena reveal the extent of their impatience with the World Bank and their determination to spend oil revenues on security. The French here are worried that President Deby may be tempted by the option of confronting the World Bank and pursuing a more nationalistic approach.

GOC READY TO TALK TO THE WORLD BANK ...

¶12. (SBU) On December 2, Ambassador and E/C officer met with Minister of Finance Abbas Tolli to discuss the Government's on-going discussions with the World Bank concerning the GOC's proposed revisions to the Revenue Management Laws. Tolli stated that the GOC has informally agreed to accept a World Bank/IMF mission in the next week or two, and would consider the World Bank's offer for short-term bridge financing and heavy technical assistance for its public finance system. Tolli also agreed with the Ambassador's assertion that a rupture in the relationship between the World Bank and the Government would be counter-productive, and any suspension of IFI assistance would be difficult for the country. He noted that his recent trip from Washington indicated that he hoped the World Bank/IMF team would identify "points of blockage" that both sides could overcome.

... BUT HAS CONCERNS

¶13. (SBU) However, the Minister stated that the Government was still convinced that eliminating the Fund for Future Generations and expanding the range of priority sectors to include security and territorial administration were essential to maintain stability in the country. Tolli reiterated the GOC's views that the need for increased security measures in Darfur, as well as a suspension of Chadian-Sudanese trade due to the conflict, had a severe

impact. At the same time, the recent attacks of November 13 demonstrated that insecurity would continue to hamper efforts for progress in Chad.

14. (SBU) Additionally, the Minister noted his skepticism of the World Bank's efforts. He pointed out that past World Bank initiatives in Chad, such as the first Public Finance Reform Initiative (GEEP), have been complete failures, in his opinion. Tolli stated that the World Bank had done little in the past year when the Government complained of flaws in the revenue management plan, and is only beginning to consider the GOC's concerns after the Government made the proposed revisions. According to the Minister, the Government would continue to maintain its reservations about the World Bank's ability to assist the country until real, tangible results are seen.

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PROPOSED LEGISLATION STILL BEING WORKED OUT
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15. (SBU) Tolli also noted that the GOC was still trying to hammer out details on the proposed legislation in the National Assembly. Following internal disagreements among ruling party delegates, the Government agreed to create two committees (one to examine the budgetary impact of the legislation, and one to examine the political impact of the

legislation) to resolve any differences. Tolli said that the Ministry of Finance would also be called upon to provide its input into the legislation. The Commission would submit their findings to the floor of the National Assembly on December 20, where it would be debated and voted on some time in January.

16. (SBU) With respect to the 2006 budget, the Minister told the Ambassador that the Government could not move forward on approving the budget until there is a decision on the proposed revisions to the revenue management law. Tolli stated that given the impact the revisions have on the preparations the various budgets and the amount of revenue to be programmed, the Ministry could not feasibly finalize a program.

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TREASURY ADVISOR POSITION STILL UNCERTAIN
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17. (SBU) The Ambassador raised the issue of the status of Treasury Advisor Linda Gregory, and stated that the Embassy would like to see an immediate placement of the Advisor to the College. Tolli said he agreed that the proposed revisions should not delay the work of the Treasury Advisor, and stated that he would discuss the matter with his counterpart in the Ministry of Plan.

18. (C) On December 3, Embassy learned from Director of Plan in the Ministry of Plan Felix Mbamba that the move by the GOC to prevent the Treasury Advisor from beginning work at the College was coming not from the Ministry of Plan, but from President Deby himself. The Director stated the President was holding up approval because he is seeking greater access to financial resources to fund the upcoming Presidential elections.

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PRESIDENT DEBY PLAYS THE SOVEREIGNTY CARD
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19. (U) In an interview with Radio France Internationale broadcast November 28, President Deby argued that Chad has the sovereign right to change the oil revenue law. While claiming Chad would respect the independent oversight board and extend the law to cover production from new fields, he also stressed that the funds set aside for future generations (around 20 billion FCFA or close to USD 40 million) had to be used to help feed the current generation. If it is necessary to buy arms to assure the security of the country, he would do so, Deby said baldly. Moreover, he argued, Chad has no intention of serving as a model for other countries in the way it manages its oil revenues.

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OTHER VIEWS ON THE OIL REVENUE LAW
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110. (SBU) In a meeting with the Ambassador November 30, Foreign Minister Ahmad Alam-mi railed against the World Bank and what he claimed was its refusals to respond to Chad's appeals to revise the oil law. He maintained the World Bank had even incited NGO's to attack Chad's plans. He insisted that Chad, like any sovereign country, should be able to spend revenues from its own resources to defend itself. He argued that Chad had not been able to anticipate the added expenses it is incurring from the security incidents on its

border with Sudan.

¶11. (C) French Ambassador Jean-Pierre Bercot told the Ambassador December 1 that President Deby had asked French President Chirac to intervene on Chad's behalf with the World Bank in their meeting in Paris on November 25. He said that France had advised Deby to avoid a confrontation. Bercot argued that many in Africa and the Middle East would applaud if Chad backs off on its commitments. If Deby is pushed too hard, Bercot speculated, Deby may opt for nationalizing management of its oil resources.

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COMMENT

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¶12. (SBU) Finance Minister Tolli's willingness to accept the World Bank mission and his conciliatory tone are positive signs. The question remains whether his views on reaching a compromise with the World Bank are shared by his boss. We are still extremely concerned by the GOC's continued unwillingness to accept the Treasury Advisor, and we will continue to press the issue. Prospects for a rapid resolution are none too encouraging. President Deby's own remarks and those of his cabinet officials suggest a readiness to move unilaterally regardless of the fallout.
WALL

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